

**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2019**

**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, FLORIDA**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
West Villages Improvement District  
City of North Port, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of West Villages Improvement District, City of North Port, Florida (the "District") as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

As discussed in Note 7 and other referenced notes to the basic financial statements, the District had delinquent assessments due from a Major Landowner as of September 30, 2019. As a result of the Major Landowners' failure to pay assessments, the District did not make certain scheduled debt service payments. The District's failures to make its scheduled debt service payments when they are due are considered events of default. The District is economically dependent on the Developers and Major Landowners within the District.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of state financial assistance projects is presented for purposes of additional analysis as required by Chapter 10.550, Rules of the Auditor General of the State of Florida, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance projects is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



September 30, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of West Villages Improvement District, City of North Port, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

### FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year resulting in a net position balance of \$118,002,441.
- The change in the District's total net position in comparison with the prior fiscal year was \$41,658,261, an increase. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2019, the District's governmental funds reported combined ending fund balances of \$8,837,863, a decrease of \$(25,544,250) in comparison with the prior fiscal year. A portion of the total fund balance is restricted for debt service, capital projects and road resurfacing, and the remainder is unassigned (deficit) fund balance.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the residual amount being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government and maintenance operations. The business-type activities of the District include irrigation services.

#### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains twelve individual governmental funds for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, Unit 1, Unit 2, Unit 3, Unit 4, Unit 5, Unit 7 debt service funds and Unit 1, Unit 2, Unit 3, Unit 5, Unit 7 capital projects funds, all of which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

### Proprietary Fund

The District maintains one type of proprietary fund, an enterprise fund. An enterprise fund is used to report the same function presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for the operations of the irrigation services within the District, which are included in Unit 6 of the District.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities at the close of the most recent fiscal year.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

Key components of the District's net position are reflected in the following table:

	NET POSITION					
	SEPTEMBER 30,					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 31,278,784	\$ 66,660,400	\$ 180,177	\$ -	\$ 31,458,961	\$ 66,660,400
Capital assets, net	267,999,322	171,495,499	1,129,940	893,596	269,129,262	172,389,095
Total assets	299,278,106	238,155,899	1,310,117	893,596	300,588,223	239,049,495
Current liabilities	24,806,843	32,916,308	239,958	102,417	25,046,801	33,018,725
Long-term liabilities	157,538,981	129,686,590	-	-	157,538,981	129,686,590
Total liabilities	182,345,824	162,602,898	239,958	102,417	182,585,782	162,705,315
Net position						
Net investment in capital assets	105,415,341	37,728,909	1,129,940	791,179	106,545,281	38,520,088
Restricted	10,944,637	32,627,267	-	-	10,944,637	32,627,267
Unrestricted	572,304	5,196,825	(59,781)	-	512,523	5,196,825
Total net position	\$ 116,932,282	\$ 75,553,001	\$ 1,070,159	\$ 791,179	\$ 118,002,441	\$ 76,344,180

The District's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's other obligations.

The District's net position increased during the most recent fiscal year. The majority of the increase is the results from the receipt of Developer contributions and intergovernmental revenues.

Key elements of the change in net position are reflected in the following table:

	CHANGES IN NET POSITION					
	FOR THE FISCAL YEAR ENDED SEPTEMBER 30,					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues						
Charges for services	\$ 7,323,082	\$ 6,846,364	\$ 339,608	\$ -	\$ 7,662,690	\$ 6,846,364
Operating grants and contributions	3,760,649	4,827,218	-	-	3,760,649	4,827,218
Capital grants and contributions	41,194,879	65,424,112	-	-	41,194,879	65,424,112
General revenues						
Unrestricted investment earnings	6,478	4,307	77	-	6,555	4,307
Miscellaneous	125,317	7,926	-	-	125,317	7,926
Total revenues	52,410,405	77,109,927	339,685	-	52,750,090	77,109,927
Expenses:						
General government	815,458	831,044	-	-	815,458	831,044
Maintenance and operations	2,270,183	1,986,269	-	-	2,270,183	1,986,269
Interest	6,939,751	5,906,940	-	-	6,939,751	5,906,940
Bond/note issue costs	727,755	2,189,199	-	-	727,755	2,189,199
Conveyance of infrastructure	-	985,242	-	-	-	985,242
Irrigation services	-	-	338,682	-	338,682	-
Total expenses	10,753,147	11,898,694	338,682	-	11,091,829	11,898,694
Transfers	(277,977)	(791,179)	277,977	791,179	-	-
Change in net position	41,379,281	64,420,054	278,980	791,179	41,658,261	65,211,233
Net position - beginning	75,553,001	11,132,947	791,179	-	76,344,180	11,132,947
Net position - ending	\$ 116,932,282	\$ 75,553,001	\$ 1,070,159	\$ 791,179	\$ 118,002,441	\$ 76,344,180

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

### **Governmental activities**

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2019 was \$10,753,147. The costs of the District's activities were paid by program revenues and general revenues. Program revenues were comprised primarily of assessments, Developer contributions, and other contributions for both the current year and prior year.

### **Business-type activities**

Business-type activities reflect the operations of the irrigation system within the District. The cost of operations is covered partially by charges to customers with the remainder being covered by developer contributions.

## GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The fiscal year 2019 general fund budget was amended to increase revenues by \$77,464,282, increase appropriations by \$78,211,952. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2019.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2019, the District had \$279,280,947 invested in capital assets for its governmental activities. In the government-wide financial statements depreciation of \$11,281,625 has been taken, which resulted in a net book value of \$267,999,322. The District's business-type activities reported net capital assets of \$1,129,940. More detailed information about the District's capital assets is presented in the notes of the financial statements.

### Capital Debt

At September 30, 2019, the District had \$136,945,000 in Bonds outstanding and \$25,799,509 in Notes outstanding for its governmental activities. More detailed information about the District's capital debt is presented in the notes of the financial statements.

## ECONOMIC FACTORS AND OTHER EVENTS

Subsequent to fiscal year end, the District has continued its capital projects which include development of infrastructure improvements for residential and commercial areas, the construction of a wastewater treatment facility which will be conveyed to other entities for ownership and maintenance upon completion, the construction of a baseball facility primarily for the use of the Atlanta Braves, and construction of a Master Irrigation Facility which was completed and began operations in the subsequent fiscal year.



## CONTACTING THE DISTRICT'S FINANCIAL MANAGMENT

This financial report is designed to provide our citizens, land owners, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the West Villages Improvement District's management services at Special District Services, Inc., 2501A Burns Road, Palm Beach Gardens, Florida 33410.

**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 2,400,541	\$ 40,291	\$ 2,440,832
Due from Developers	6,268,867	-	6,268,867
Assessments receivable	874,413	-	874,413
Accounts receivable	-	116,563	116,563
Other assets	2,325	8,539	10,864
Due from other funds	-	14,784	14,784
Restricted assets:			
Cash	6,022	-	6,022
Investments	21,726,616	-	21,726,616
Capital assets:			
Nondepreciable	248,494,159	-	248,494,159
Depreciable, net	19,505,163	1,129,940	20,635,103
Total assets	<u>299,278,106</u>	<u>1,310,117</u>	<u>300,588,223</u>
<b>LIABILITIES</b>			
Accounts payable	6,312,789	54,545	6,367,334
Contracts and retainage payable	7,396,903	-	7,396,903
Accrued interest payable	2,900,504	-	2,900,504
Due to other funds	14,784	-	14,784
Escrow deposits	13,793	-	13,793
Unearned revenue	-	185,413	185,413
Due to Bondholders:			
Principal	5,045,000	-	5,045,000
Interest	3,123,070	-	3,123,070
Non-current liabilities:			
Due within one year*	4,666,561	-	4,666,561
Due in more than one year	152,872,420	-	152,872,420
Total liabilities	<u>182,345,824</u>	<u>239,958</u>	<u>182,585,782</u>
<b>NET POSITION</b>			
Net investment in capital assets	105,415,341	1,129,940	106,545,281
Restricted for capital projects	1,593,003	-	1,593,003
Restricted for debt service	9,351,634	-	9,351,634
Unrestricted	572,304	(59,781)	512,523
Total net position	<u>\$ 116,932,282</u>	<u>\$ 1,070,159</u>	<u>\$ 118,002,441</u>

\* The missed debt service payment due for the Series 2005 Bonds are reflected in the due to Bondholders account balance.

See notes to the financial statements

**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 815,458	\$ 1,346,030	\$ -	\$ -	\$ 530,572	\$ -	\$ 530,572
Maintenance and operations	2,270,183	-	-	41,194,879	38,924,696	-	38,924,696
Interest on long-term debt	6,939,751	5,977,052	3,760,649	-	2,797,950	-	2,797,950
Bond/note issue costs	727,755	-	-	-	(727,755)	-	(727,755)
Total governmental activities	10,753,147	7,323,082	3,760,649	41,194,879	41,525,463	-	41,525,463
Business-type activities:							
Irrigation services	338,682	339,608	-	-	-	926	926
Total business-type activities	338,682	339,608	-	-	-	926	926
General revenues:							
Unrestricted investment earnings					6,478	77	6,555
Miscellaneous					125,317	-	125,317
Total general revenues					131,795	77	131,872
Transfers					(277,977)	277,977	-
Change in net position					41,379,281	278,980	41,658,261
Net position - beginning					75,553,001	791,179	76,344,180
Net position - ending					\$ 116,932,282	\$ 1,070,159	\$ 118,002,441

See notes to the financial statements

**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019**

	Major Funds												Total Governmental Funds
	General	Debt Service						Capital Projects					
		Unit 1 Series 2007 & 2017	Unit 2 Series 2005	Unit 3 Series 2006 & 2017	Unit 4 Series 2016	Unit 5 Series 2017	Unit 7 Series 2019	Unit 1 Series 2007 & 2017	Unit 2 Series 2005	Unit 3 Series 2006 & 2017	Unit 5 Series 2017	Unit 7 Series 2019	
<b>ASSETS</b>													
Cash	\$ 2,406,563	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,406,563
Investments	-	1,362,255	3,441,504	296,531	843,749	5,607,147	3,680,635	397	5,567	296,519	319	6,191,993	21,726,616
Due from Developers	6,268,867	-	-	-	-	-	-	-	-	-	-	-	6,268,867
Assessments receivable	234,673	-	177,919	185,191	276,630	-	-	-	-	-	-	-	874,413
Other assets	2,325	-	-	-	-	-	-	-	-	-	-	-	2,325
<b>Total assets</b>	<b>\$ 8,912,428</b>	<b>\$ 1,362,255</b>	<b>\$ 3,619,423</b>	<b>\$ 481,722</b>	<b>\$ 1,120,379</b>	<b>\$ 5,607,147</b>	<b>\$ 3,680,635</b>	<b>\$ 397</b>	<b>\$ 5,567</b>	<b>\$ 296,519</b>	<b>\$ 319</b>	<b>\$ 6,191,993</b>	<b>\$ 31,278,784</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>													
<b>Liabilities:</b>													
Accounts payable	\$ 6,312,789	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,312,789
Contracts and retainage payable	2,495,111	-	-	-	-	-	-	-	-	-	-	4,901,792	7,396,903
Due to other funds	14,784	-	-	-	-	-	-	-	-	-	-	-	14,784
Escrow deposits	13,793	-	-	-	-	-	-	-	-	-	-	-	13,793
Due to Bondholders:													
Principal	-	-	5,045,000	-	-	-	-	-	-	-	-	-	5,045,000
Interest	-	-	3,123,070	-	-	-	-	-	-	-	-	-	3,123,070
<b>Total liabilities</b>	<b>8,836,477</b>	<b>-</b>	<b>8,168,070</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,901,792</b>	<b>21,906,339</b>
<b>Deferred inflows of resources:</b>													
Unavailable revenue	534,582	-	-	-	-	-	-	-	-	-	-	-	534,582
<b>Total deferred inflows of resources</b>	<b>534,582</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>534,582</b>
<b>Fund balances:</b>													
<b>Restricted for:</b>													
Debt service	-	1,362,255	-	481,722	1,120,379	5,607,147	3,680,635	-	-	-	-	-	12,252,138
Capital projects	-	-	-	-	-	-	-	397	5,567	296,519	319	1,290,201	1,593,003
<b>Assigned to:</b>													
Road resurfacing	570,906	-	-	-	-	-	-	-	-	-	-	-	570,906
Unassigned	(1,029,537)	-	(4,548,647)	-	-	-	-	-	-	-	-	-	(5,578,184)
<b>Total fund balances</b>	<b>(458,631)</b>	<b>1,362,255</b>	<b>(4,548,647)</b>	<b>481,722</b>	<b>1,120,379</b>	<b>5,607,147</b>	<b>3,680,635</b>	<b>397</b>	<b>5,567</b>	<b>296,519</b>	<b>319</b>	<b>1,290,201</b>	<b>8,837,863</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 8,912,428</b>	<b>\$ 1,362,255</b>	<b>\$ 3,619,423</b>	<b>\$ 481,722</b>	<b>\$ 1,120,379</b>	<b>\$ 5,607,147</b>	<b>\$ 3,680,635</b>	<b>\$ 397</b>	<b>\$ 5,567</b>	<b>\$ 296,519</b>	<b>\$ 319</b>	<b>\$ 6,191,993</b>	<b>\$ 31,278,784</b>

See notes to the financial statements

**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, FLORIDA  
RECONCILIATION OF BALANCE SHEET – GOVERNMENTAL FUNDS  
TO STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019**

Fund balance - governmental funds \$ 8,837,863

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of accumulated depreciation, in the net position of the government as a whole.

Cost of capital assets	279,280,947	
Accumulated depreciation	<u>(11,281,625)</u>	267,999,322

Assets that are not available to pay for current-period expenditures are unavailable in the fund statements.		534,582
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Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund financial statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

Accrued interest payable	(2,900,504)	
Bonds payable *	(131,739,472)	
Note payable	<u>(25,799,509)</u>	<u>(160,439,485)</u>

Net position of governmental activities		<u>\$ 116,932,282</u>
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\* The missed debt service payment due for the Series 2005 Bonds are reflected in the due to Bondholders account balance.

See notes to the financial statements

**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	Major Funds												Total Governmental Funds
	General	Debt Service						Capital Projects					
		Unit 1 Series 2007 & 2017	Unit 2 Series 2005	Unit 3 Series 2006 & 2017	Unit 4 Series 2016	Unit 5 Series 2017	Unit 7 Series 2019	Unit 1 Series 2007 & 2017	Unit 2 Series 2005	Unit 3 Series 2006 & 2017	Unit 5 Series 2017	Unit 7 Series 2019	
<b>REVENUES</b>													
Assessments	\$ 1,346,030	\$ 2,373,941	\$ 1,459,577	\$ 1,317,170	\$ 826,364	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,323,082
Developers contributions	-	-	-	-	-	2,588,596	-	-	-	-	-	-	2,588,596
Developers contributions - capital	41,234,617	-	-	-	-	-	-	-	-	-	-	-	41,234,617
Contributions other governments	328,954	-	-	-	-	999,996	-	-	-	-	-	-	1,328,950
Miscellaneous	125,317	-	-	-	-	-	-	-	-	-	147,138	-	272,455
Interest income	6,478	4,914	57,953	1,384	2,196	101,876	3,734	4,119	6,571	1,135	559,743	12,059	762,162
Total revenues	43,041,396	2,378,855	1,517,530	1,318,554	828,560	3,690,468	3,734	4,119	6,571	1,135	706,881	12,059	53,509,862
<b>EXPENDITURES</b>													
Current:													
General government	770,602	-	44,856	-	-	-	-	-	-	-	-	-	815,458
Maintenance and operations	1,008,897	-	-	-	-	-	-	-	-	-	-	-	1,008,897
Debt service:													
Principal	2,000,000	1,040,000	965,000	585,000	230,000	1,633,693	-	-	-	-	-	17,838,064	24,291,757
Interest	-	1,351,644	476,800	711,360	601,913	1,922,901	-	-	1,240,000	-	-	-	6,304,618
Cost of bond and loan issuance	-	-	-	-	-	-	-	-	-	-	-	727,755	727,755
Capital outlay	62,139,607	-	-	-	-	-	-	3,552,177	-	-	23,424,715	8,648,610	97,765,109
Total expenditures	65,919,106	2,391,644	1,486,656	1,296,360	831,913	3,556,594	-	3,552,177	1,240,000	-	23,424,715	27,214,429	130,913,594
Excess (deficiency) of revenues over (under) expenditures	(22,877,710)	(12,789)	30,874	22,194	(3,353)	133,874	3,734	(3,548,058)	(1,233,429)	1,135	(22,717,834)	(27,202,370)	(77,403,732)
<b>OTHER FINANCING SOURCES (USES)</b>													
Bond/note proceeds	-	-	-	-	-	-	3,676,901	-	-	-	-	28,683,099	32,360,000
Developer advances	19,838,064	-	-	-	-	-	-	-	-	-	-	-	19,838,064
Bond premium/(discount)	-	-	-	-	-	-	-	-	-	-	-	(60,605)	(60,605)
Transfer in (out)	129,923	-	-	-	-	-	-	-	-	(277,977)	-	(129,923)	(277,977)
Total other financing sources (uses)	19,967,987	-	-	-	-	-	3,676,901	-	-	(277,977)	-	28,492,571	51,859,482
Net change in fund balances	(2,909,723)	(12,789)	30,874	22,194	(3,353)	133,874	3,680,635	(3,548,058)	(1,233,429)	(276,842)	(22,717,834)	1,290,201	(25,544,250)
Fund balances - beginning	2,451,092	1,375,044	(4,579,521)	459,528	1,123,732	5,473,273	-	3,548,455	1,238,996	573,361	22,718,153	-	34,382,113
Fund balances - ending	\$ (458,631)	\$ 1,362,255	\$ (4,548,647)	\$ 481,722	\$ 1,120,379	\$ 5,607,147	\$ 3,680,635	\$ 397	\$ 5,567	\$ 296,519	\$ 319	\$ 1,290,201	\$ 8,837,863

See notes to the financial statements

**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

Net change in fund balances - total governmental funds	\$ (25,544,250)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures, however, the cost of capital assets is eliminated in the statement of activities and capitalized in the statement of net position.	97,765,109
Governmental funds report the face amount of Bonds issued as financial resources when debt is first issued, whereas these amounts are eliminated in the statement of activities and recognized as long-term liabilities in the statement of net position.	(32,360,000)
Governmental funds report Developer advances as financial resources when cash is received, whereas these amounts are eliminated in the statement of activities and recognized as long-term liabilities in the statement of net position.	(19,838,064)
In connection with the issuance of the Bonds, the original issue discount is reported as a financing use/source when debt is first issued, whereas this amount is eliminated in the statement of activities and reduces/increases long-term liabilities in the statement of net position.	60,605
Repayment of long-term liabilities are reported as expenditures in the governmental fund financial statements but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.	24,291,757
Depreciation of capital assets is not recognized in the governmental fund financial statements but is reported as an expense in the statement of activities.	(1,261,286)
Amortization of Bond discounts/premiums is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.	(6,689)
Certain revenues were unavailable for the governmental fund financial statements in the prior fiscal year. In the current fiscal year, these revenues were recorded in the governmental fund financial statements.	(1,099,457)
The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities but not in the fund financial statements.	(628,444)
Change in net position of governmental activities	<u>\$ 41,379,281</u>

See notes to the financial statements

**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, FLORIDA  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
SEPTEMBER 30, 2019**

	<u>Business-type Activities - Irrigation Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and equivalents	\$ 40,291
Due from other funds	14,784
Accounts receivable	116,563
Other assets	8,539
Total current assets	<u>180,177</u>
Noncurrent assets:	
Capital assets:	
Irrigation system	\$ 1,129,940
Total capital assets, net of depreciation	<u>1,129,940</u>
Total noncurrent assets	<u>1,129,940</u>
Total assets	<u>1,310,117</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	54,545
Unearned revenue	185,413
Total current liabilities	<u>239,958</u>
Total liabilities	<u>239,958</u>
<b>NET POSITION</b>	
Investment in capital assets	1,129,940
Unrestricted	(59,781)
	<u>\$ 1,070,159</u>

See notes to the financial statements



**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, FLORIDA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION - PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	<u>Business-type Activities - Irrigation Fund</u>
Operating revenues:	
Charges for services:	
Irrigation revenues	\$ 339,108
Miscellaneous income	<u>500</u>
Total operating revenues	<u>339,608</u>
 Operating expenses:	
Irrigation services	283,845
Administrative and other	<u>54,837</u>
Total operating expenses	<u>338,682</u>
 Operating income (loss)	 <u>926</u>
 Nonoperating revenues (expenses):	
Interest income	<u>77</u>
Total nonoperating revenues (expenses)	<u>77</u>
 Income before transfers	 1,003
 Transfers in (out)	 <u>277,977</u>
 Change in net position	 278,980
 Total net position - beginning	 <u>791,179</u>
 Total net position - ending	 <u>\$ 1,070,159</u>

See notes to the financial statements

**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, FLORIDA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FISCAL YEAR ENDED SEPTEMBER 30, 2019**

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 214,506
Payments for goods and services	(201,141)
Net cash provided (used) by operating activities	<u>13,365</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from (to) other funds	277,977
Due from other funds	(14,784)
Net cash provided (used) by non-capital financing activities	<u>263,193</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	(236,344)
Net cash provided (used) by capital and related financing activities	<u>(236,344)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	77
Net cash provided (used) by investing activities	<u>77</u>
Net increase (decrease) in cash and cash equivalents	40,291
Cash and cash equivalents - October 1	<u>-</u>
Cash and cash equivalents - September 30	<u>\$ 40,291</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ 926
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase)/Decrease in:	
Accounts receivable	(116,563)
Other assets	(8,539)
Increase/(Decrease) in:	
Accounts payable	54,545
Contracts and retainage payable	(102,417)
Unearned revenue	185,413
Total adjustments	<u>12,439</u>
Net cash provided (used) by operating activities	<u>\$ 13,365</u>

See notes to the financial statements

**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY**

West Villages Improvement District ("District") was created on July 23, 2004. The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 2004-456 Laws of Florida.

The District provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is being developed by separate Developers, a Master Developer and by other Homebuilders. The Master Developers are Thomas Ranch Land Partners Village, LLP ("Thomas Ranch") who assumed responsibility as the major developer for Unit 1, replacing Fourth Quarter Properties XXXII, LLC and became the new majority owner for the District. Other Developers include Lennar Homes, Inc. ("Lennar"), Gran Paradiso I and II, and Pulte Homes, LP. At September 30, 2019, a majority of the Board Members are affiliated with Thomas Ranch. The District has previously created five separate development units – Units 1, 2, 3, 4 and 5. During the prior year Unit 6 was created for the construction of the Master Irrigation system, which is funded by the Master Developer and by fees generated from an approved rate structure. During the current fiscal year, Unit 7 was created for the development of Unit 7 infrastructure improvements.

The Board has the final responsibility for:

1. Assessing and levying assessments.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the hiring and firing of key personnel.
6. Financing improvements.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Government-Wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; operating-type special assessments for maintenance and debt service are treated as charges for services and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are to be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

### **Assessments**

Assessments are non-ad valorem assessments on certain land and all platted lots within the District. Assessments are levied each November 1 on property of record as of the previous January. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. For debt service assessments, amounts collected as advance payments are used to prepay a portion of the Bonds outstanding. Otherwise, assessments are collected annually to provide funds for the debt service on the portion of the Bonds which are not paid with prepaid assessments.

Assessments and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

The District reports the following major governmental funds:

### **General Fund**

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

### **Debt Service Funds - Unit 1, Unit 2, Unit 3, Unit 4, Unit 5 and Unit 7**

The debt service funds for each unit are used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt for each development unit.

### **Capital Projects Funds - Unit 1, Unit 2, Unit 3, Unit 5 and Unit 7**

This funds accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District for each development unit.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

The District reports the following enterprise fund:

#### Irrigation Fund

The Irrigation Fund accounts for the operations of the irrigation lines, which are funded by proceeds from operations of these facilities including user fees, meter fees and connection fees.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses of the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

### **Assets, Liabilities and Net Position or Equity**

#### Restricted Assets

These assets represent cash and investments set aside pursuant to Bond covenants or other contractual restrictions

#### Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due.

The District records all interest revenue related to investment activities in the respective funds. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

#### Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Assets, Liabilities and Net Position or Equity (Continued)

#### Capital Assets

Capital assets which include property, plant and equipment, infrastructure assets, (e.g., roads, sidewalks and similar items) and construction in progress are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water Management & Environmental	30
Roadways	25
Gateway Entry	15
Landscape & Lighting	10

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

#### Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

#### Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Assets, Liabilities and Net Position or Equity (Continued)**

#### Fund Equity/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The District can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts established by the Board of Supervisors that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the District's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

### **Other Disclosures**

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### NOTE 3 – BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year-end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain public comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

### NOTE 4 – DEPOSITS AND INVESTMENTS

#### Deposits

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

#### Investments

The District's investments were held as follows at September 30, 2019:

<u>Investment</u>	<u>Amortized cost</u>	<u>Credit Risk</u>	<u>Maturities</u>
US Bank Money Market Account	\$ 17,697,184	Not Available	Not available
Florida Education Investment Trust Fund	4,029,432	Not Available	Not available
	<u>\$ 21,726,616</u>		

*Credit risk* – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

*Concentration risk* – The District places no limit on the amount the District may invest in any one issuer.

*Interest rate risk* – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

However, the Bond Indentures limit the type of investments held using unspent proceeds.



## NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

### Investments (Continued)

*Fair Value Measurement* – When applicable, the District measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1:* Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the District has the ability to access;
- *Level 2:* Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3:* Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

Money market investments that have a maturity at the time of purchase of one year or less and are held by governments other than external investment pools should be measured at amortized cost. Accordingly, the District's investments have been reported at amortized cost above.

## NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended September 30, 2019 were as follows:

Fund	Transfer in	Transfer out
General	\$ 129,923	\$ -
Capital projects Unit 3	-	277,977
Capital projects Unit 7	-	129,923
Master irrigation system	277,977	-
Total	<u>\$ 407,900</u>	<u>\$ 407,900</u>

Transfers from Unit 3 capital projects were for the creation of the master irrigation system. Transfers from Unit 7 capital projects to the general fund was to reimburse the general fund for invoices the general fund paid for the capital project fund.

## NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b><u>Governmental activities</u></b>				
Capital assets, not being depreciated				
Land	\$ 12,837,903	\$ -	\$ -	\$ 12,837,903
Infrastructure in progress	60,385,093	6,502,347	-	66,887,440
Infrastructure in progress - wastewater treatment plant	10,041,784	42,215,092	-	52,256,876
Infrastructure in progress - spring training facility	67,464,270	49,047,670	-	116,511,940
Total capital assets, not being depreciated	150,729,050	97,765,109	-	248,494,159
Capital assets, being depreciated				
Water Management and Environmental	11,789,257	-	-	11,789,257
Roadways	10,724,668	-	-	10,724,668
Gateway Entry	4,893,883	-	-	4,893,883
Landscape and Lighting - Unit 3	3,378,980	-	-	3,378,980
Total capital assets, being depreciated	30,786,788	-	-	30,786,788
Less accumulated depreciation for:				
Water Management and Environmental	2,686,286	282,521	-	2,968,807
Roadways	2,988,833	314,614	-	3,303,447
Gateway Entry	2,909,153	326,253	-	3,235,406
Landscape and Lighting - Unit 3	1,436,067	337,898	-	1,773,965
Total accumulated depreciation	10,020,339	1,261,286	-	11,281,625
Total capital assets, being depreciated, net	20,766,449	(1,261,286)	-	19,505,163
Governmental activities capital assets, net	\$ 171,495,499	\$ 96,503,823	\$ -	\$ 267,999,322
<b><u>Business type activities</u></b>				
Capital assets, not being depreciated				
Construction in progress	\$ 893,596	\$ 236,344	\$ (1,129,940)	\$ -
Capital assets, being depreciated				
Irrigation system	-	1,129,940	-	1,129,940
Total capital assets, being depreciated	-	1,129,940	-	1,129,940
Business type activities capital assets, net	\$ 893,596	\$ 1,366,284	\$ (1,129,940)	\$ 1,129,940

Depreciation expense was charged to maintenance and operations.

### **Governmental activities**

Costs incurred to-date relate to Development Unit No. 1, No. 2, No. 3 and No. 4, No. 5 and No. 7. Certain improvements were acquired directly from the Developers. The total anticipated project costs have been estimated at approximately \$30 million for Unit No. 1, \$34 million for Unit No. 2, \$47 million for Unit No. 3 and \$30 million for Unit No. 4, \$117 million for Unit 5 and \$58 million for Unit 7. Lennar has agreed to complete the infrastructure improvements for Unit No. 3 which are not paid from the proceeds of the Unit 3 Bonds. Unit No. 3 was completed in the prior fiscal year. Funding for the Unit 5 improvements are derived from multiple sources which include contributions from certain Developers, City Of North Port, Sarasota County, the State of Florida and Atlanta National League Baseball Club, LLC (“Atlanta Braves”). Certain improvements will be conveyed to other entities upon completion of the various developments, which include but are not limited to the wastewater treatment plant and the spring training facility. The District has open contracts and commitments as of September 30, 2019 for its governmental activities of \$22,581,659.

## **NOTE 6 – CAPITAL ASSETS (Continued)**

### **Governmental activities (Continued)**

The District has entered a contract with West Villages Construction, LLLP (“WVC”), whereby WVC has agreed to provide funding for the completion of the wastewater treatment plant. WVC is affiliated with Thomas Ranch. The waste water treatment plant will be conveyed to another entity for ownership and maintenance upon completion. During the current year Thomas Ranch contributed approximately \$13,000,000 million towards the construction of the wastewater treatment plant. See Note 7 for amounts advanced and repaid to Thomas Ranch. The total cost of the project is estimated at approximately \$45 million.

The spring training facility, which comprises Unit No. 5 and is estimated to cost approximately \$117 million, was funded from several sources in the current fiscal year which a contribution of \$4.7 million from one of the Developers, and a contribution of \$28,899,960 from Atlanta Braves. Upon completion, the spring training facility will be conveyed to other entities for ownership and maintenance. The project was completed subsequent to year end and conveyed.

### **Business type activities**

Unit No. 6 is comprised of the Master Irrigation Facility. The project was completed during the current fiscal year.

## **NOTE 7 – LONG TERM LIABILITIES**

### **Series 2005 (Unit 2)**

On November 5, 2005, the District issued \$38,005,000 of Special Assessment Bonds, Series 2005 (Unit 2) for Unit of Development No. 2, consisting of \$32,365,000 Term Bonds Series 2005 due on May 1, 2036 with a fixed interest rate of 5.80% and \$5,640,000 Term Bonds Series 2005 due on May 1, 2015 with a fixed interest rate of 5.350%. The Bonds were issued to pay off the Bond Anticipation Notes, Series 2005 and to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the 2005 Bonds is to be paid serially commencing May 1, 2007 through May 1, 2036. See Note 15 for Bond Bifurcation.

### **Series 2016 (Unit 4)**

On November 15, 2016, the District issued \$13,090,000 of Special Assessment Revenue Bonds, Series 2016 (Unit 4), due November 1, 2046 with interest rates of 3.375% to 5.0%. The Bonds were issued for the purpose of financing the acquisition and construction of certain improvements for the benefit of the District. Interest is paid semiannually on each May 1 and November 1, commencing May 1, 2017. Principal is paid serially commencing November 1, 2017 through November 1, 2046. The Series 2016 Bonds are subject to redemption at the option of the District prior to their maturity.

### **Series 2017 (Unit 1)**

On August 31, 2017, the District issued \$32,165,000 of Special Assessment Revenue Refunding Bonds, Series 2017 (Unit 1), due May 1, 2037 with interest rates of 3.50% - 4.625%. The Bonds were issued for the purpose of refunding the District’s outstanding Series 2007 Special Assessment Revenue Bonds (the “Refunded Bonds”), and to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is paid semiannually on each May 1 and November 1, commencing May 1, 2018. Principal is paid serially commencing May 1, 2018 through May 1, 2038.

### **Series 2017 (Unit 3)**

On August 31, 2017, the District issued \$16,550,000 of Special Assessment Revenue Refunding Bonds, Series 2017 (Unit 3), due May 1, 2037 with interest rates of 3.50% - 5.00%. The Bonds were issued for the purpose of refunding the District’s outstanding Series 2006 Special Assessment Revenue Bonds (the “Refunded Bonds”) and to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is paid semiannually on each May 1 and November 1, commencing November 1, 2017. Principal is paid serially commencing May 1, 2018 through May 1, 2037.

## **NOTE 7 – LONG TERM LIABILITIES (Continued)**

### **Series 2017A (Unit 5)**

On December 21, 2017, the District issued \$13,955,000 of Taxable Florida State Sales Tax Payments Revenue Bonds, Series 2017A, consisting of multiple term bonds with due dates ranging from February 1, 2019 – February 1, 2038 and fixed interest rates ranging from 2.277% to 3.831%. The Bonds were issued for the purpose of funding a portion of the costs of the 2017 Project. Interest is paid semiannually on each August 1 and February 1, commencing August 1, 2018. Principal is paid serially commencing August 1, 2018 through February 1, 2038. Principal and interest on the Bonds are to be paid with Florida State Sales Tax Payments pledged to the District and by an annual fee to be paid by Atlanta Braves.

### **Series 2017B (Unit 5)**

On December 21, 2017, the District issued \$27,500,000 of Senior Secured Notes due December 30, 2033 with a fixed interest rate of 5.4%. The Notes were issued for the purpose of funding a portion of the costs of the 2017 Project. Interest is paid semiannually on each June 30 and December 30, commencing June 30, 2018. Principal is paid serially commencing June 30, 2018 through December 30, 2033. Principal and interest on the Bonds are to be paid with Florida State Sales Tax Payments pledged to the District and by an annual fee to be paid by Atlanta Braves.

### **Series 2019 (Unit 7)**

On April 15, 2019, the District issued \$32,360,000 of Series 2019 Special Assessment Revenue Bonds (Unit 7), due dates ranging from May 1, 2021 to May 1, 2050 with interest rates of 4.00% - 5.00%. The Bonds were issued for the purpose of financing the acquisition and construction of certain improvements for the benefit of the District. Interest is paid semiannually on each May 1 and November 1, commencing May 1, 2019. Principal is paid serially commencing May 1, 2021 through May 1, 2050. The Series 2019 Bonds are subject to redemption at the option of the District prior to their maturity.

### **Redemption Provisions**

The Series 2005 Unit 2, 2016 Unit 4, 2017 Unit 1, 2017 Unit 3, 2017A Bonds and B Notes and 2019 Unit 7 are subject to redemption at the option of the District prior to their maturity as outlined in the Bond/Note Indentures. The Bonds, except for the 2017A Bonds and B Notes are also subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occur as outlined in the Bond/Note Indentures.

### **Reserve Requirements**

The Bond Indentures require that the District maintain adequate funds in the reserve accounts to meet the debt service reserve requirements as defined in the Bond Indentures. In addition, the Bond Indentures have certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. Due to the delinquent assessments, and prior fiscal year draws on the reserve accounts to make principal and interest payments, the District reported deficits of approximately \$2,892,000 in the Series 2005 debt service reserve accounts at September 30, 2019. Therefore, the District is not in compliance with the reserve requirements outlined in the 2005 Bond Indenture as of September 30, 2019. The District is in compliance with the reserve requirement for the Series 2016 and all Series 2017 Bonds/Notes and the Series 2019 Bonds as of September 30, 2019. See Note 15 for Bond Bifurcation.

### **Series 2005 – Unit 2**

In current year, the District was able to make a partial interest payment on the Unit 2 Series 2005 Bonds in the amount of \$1,240,000 for past due interest amounts. However, the District had delinquent assessments still due from Major Landowners as of September 30, 2019 related to the Unit 2 Series 2005 Bonds. Consequently, the District did not make the current fiscal year principal payment of \$965,000 and interest on the Bonds of \$1,716,800 on the Unit 2 Series 2005 Bonds and now owes \$5,045,000 to the Bondholders for principal payments and \$3,123,070 to the Bondholders for interest payments. The District's failures to make its scheduled debt service payments when they are due are considered events of default. See Note 15 for Bond Bifurcation.

## NOTE 7 – LONG TERM LIABILITIES (Continued)

### Developer Advances

Pursuant to the Construction Funding Agreement, the Developer agreed to fund the acquisition of certain capital improvements with the District to repay the Developer from a future Bond issuance. Pursuant to the agreement, the Developer advanced \$19,838,064 to the District in the current fiscal year which has been repaid during the current fiscal year.

### Long-term debt activity

Changes in long-term liability activity for the fiscal year ended September 30, 2019 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Bond Series 2005 (Unit 2)	\$ 32,965,000	\$ -	\$ -	\$ 32,965,000	\$ 6,070,000 *
Bond Series 2016 (Unit 4)	12,845,000	-	230,000	12,615,000	235,000
Bond Series 2017 (Unit 1)	31,390,000	-	1,040,000	30,350,000	1,080,000
Less: Original issue discount	(357,708)	-	(17,885)	(339,823)	-
Bond Series 2017 (Unit 3)	16,000,000	-	585,000	15,415,000	585,000
Add: Original issue premium	251,096	-	13,216	237,880	-
Bond Series 2017 (Unit 5)	13,725,000	-	485,000	13,240,000	530,000
Note 2017 (Unit 5)	26,948,202	-	1,148,693	25,799,509	1,211,561
Bond Series 2019 (U7)	-	32,360,000	-	32,360,000	-
Less: Original issue discount	-	(60,605)	(2,020)	(58,585)	-
Developer advances	-	19,838,064	19,838,064	-	-
<b>Total</b>	<b>\$ 133,766,590</b>	<b>\$ 52,137,459</b>	<b>\$ 23,320,068</b>	<b>\$ 162,583,981</b>	<b>\$ 9,711,561</b>

\* Includes \$5,045,000 due to bondholders for the Series 2005 Bond which was not paid.

At September 30, 2019, the scheduled debt service requirements on the long - term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2020	\$ 3,641,561	\$ 6,063,741	\$ 9,705,302
2021	4,302,868	5,848,013	10,150,881
2022	4,482,805	5,673,209	10,156,014
2023	4,671,569	5,488,980	10,160,549
2024	4,879,370	5,285,238	10,164,608
2025-2029	27,911,320	22,968,454	50,879,774
2030-2034	33,960,016	15,708,645	49,668,661
2035-2039	23,140,000	8,420,670	31,560,670
2040-2044	9,860,000	4,682,375	14,542,375
2045-2049	10,925,000	2,016,750	12,941,750
2050	2,005,000	100,250	2,105,250
<b>Total</b>	<b>\$ 129,779,509</b>	<b>\$ 82,256,325</b>	<b>\$ 212,035,834</b>

Series 2005 not included as amortization schedule has not been resized

## NOTE 8 – DEVELOPER TRANSACTIONS

### Governmental Funds

The Developer owns a portion of land within the District; therefore, assessment revenues in the general and debt service funds include the assessments levied on those lots owned by the Developer.

## **NOTE 8 – DEVELOPER TRANSACTIONS (Continued)**

### **Governmental Funds (Continued)**

The Developer has also agreed to fund the debt service on the Bonds which is not paid through special or prepaid assessments. During the current fiscal year, the Developer provided \$2,588,596 to the debt service fund. Subsequent to fiscal year end, the Developer provided \$1,294,298 for debt service payments.

## **NOTE 9 – DELINQUENT ASSESSMENTS**

The Developers own a significant portion of land within the District; therefore, assessment revenues in the general and debt service funds include the assessments levied on those lots owned by the Developers. However, a Major Landowner did not pay a portion of their assessments. See Note 15 for Bond Bifurcation.

## **NOTE 10 – EVENTS OF DEFAULT**

The non-payment of the Series 2005 principal due on May 1, 2019 is considered an event of default. The occurrence of an event of default creates certain remedial rights and remedies in favor of the Trustee. Pursuant to the Indentures, the owners of a majority in aggregate principal amount of the Bonds then outstanding may direct the Trustee with regard to such rights and remedies following an event of default and upon provision of indemnity satisfactory to the Trustee and in accordance with provisions of the Indenture. During the current fiscal year, approximately \$45,000 of expenditures was incurred in the Unit 2 Debt Service Fund for services performed related to the events of default, legal services, and related matters. See Note 15 for Bond Bifurcation.

## **NOTE 11 – CONCENTRATION**

The District's activity is dependent upon the continued involvement of the Developers and Major Landowners, the loss of which could have a material adverse effect on the District's operations.

## **NOTE 12 – MANAGEMENT COMPANY**

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative costs.

## **NOTE 13 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. There were no settled claims during the past three years.

## **NOTE 14 – COMMITMENTS AND CONTINGENCIES**

On June 26, 2006, the District entered into a General Principles of Agreement with the City of North Port ("City") and Fourth Quarter Properties XXXII, LLC. Under the agreement, the District is responsible for the construction and equipping of a police substation and fire and emergency medical facilities, which are eligible to be reimbursed from impact fees collected within the District; dedication of certain lands for community parks and general government use; master plan and design of parks within the District eligible to be reimbursed from impact fees collected within the District; as well as other items as described in the General Principles of Agreement. Note, this is a summary; the agreement includes more specific content and provisions. The Agreement referred to above was assumed by the new major Developer.

#### **NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)**

On June 27, 2006, Fourth Quarter Properties XXXII, LLC (Fourth Quarter) entered into a Guarantee Agreement in favor of West Villages Improvement District. Under the agreement, Fourth Quarter unconditionally guarantees to transfer real property to the District or North Port as outlined in the General Principles of Agreement denoted above. Fourth Quarter also acknowledges that the District may not be able to reimburse or pay for this property unless it is authorized to do so pursuant to its enabling legislation and the applicable requirements of either Chapter 170 or 298, Florida Statutes. This agreement also states that Fourth Quarter unconditionally agrees to advance funds to the District in a timely fashion as are necessary for the construction and equipping as outlined in the General Principles of Agreement; however, Fourth Quarter shall be entitled to reimbursement of any such advances from impact fees collected within the District and/or future unit development funding. Note, this is a summary; the agreement includes more specific content and provisions. The Agreement referred to above was assumed by the new major Developer.

#### **NOTE 15 – SUBSEQUENT EVENTS**

##### **Bond Bifurcation**

Subsequent to fiscal year end the Unit 2 Series 2005 bond was bifurcated. The primary purpose of the Bifurcation is to divide the security for the trust estate of the Series 2005 Bonds into two separate and distinct trust estates secured by two separate and distinct sources of collateral. Accordingly, two separate assessment areas have been established within Unit No. 2 relative to the Bifurcated Bonds. "Assessment Area 1" includes all lands within Unit No. 2 with the exception of (1) the Delinquent Commercial Property; (2) the residential units which have prepaid the Series 2005 Assessments levied on their property in full; and (3) those units for which the District has received a true-up payment in accordance with the various True-Up Agreements executed in conjunction with the issuance of the Series 2005 Bonds. "Assessment Area 2" includes the Delinquent Commercial Property.

The Bond Bifurcation includes the cancellation of \$4,945,000 of the Series 2005 Bonds. The District is current on debt service payment on the Bifurcated Bonds.

##### **Bond Payments**

Subsequent to fiscal year end, the District prepaid a total of \$55,000 of the Unit 3 Series 2017 Bonds. The prepayments were considered extraordinary mandatory redemptions as outlined in the Bond Indenture.

**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive
	Original	Final		(Negative)
<b>REVENUES</b>				
Assessments	\$ 1,265,480	\$ 1,096,225	\$ 1,346,030	\$ 249,805
Developer contribution	200,000	77,828,059	41,234,617	(36,593,442)
Intergovernmental revenues	-	-	328,954	328,954
Miscellaneous	-	-	125,317	125,317
Interest Income	1,000	6,478	6,478	-
Total revenues	<u>1,466,480</u>	<u>78,930,762</u>	<u>43,041,396</u>	<u>(35,889,366)</u>
<b>EXPENDITURES</b>				
Current:				
General government	867,551	845,988	770,602	75,386
Maintenance and operations	993,000	982,598	1,008,897	(26,299)
Debt service:				
Principal	-	-	2,000,000	(2,000,000)
Capital outlay	-	78,243,917	62,139,607	16,104,310
Total expenditures	<u>1,860,551</u>	<u>80,072,503</u>	<u>65,919,106</u>	<u>14,153,397</u>
Excess (deficiency) of revenues over (under) expenditures	(394,071)	(1,141,741)	(22,877,710)	(21,735,969)
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advances	-	-	19,838,064	19,838,064
Transfer in/(out)	-	-	129,923	129,923
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>19,967,987</u>	<u>19,967,987</u>
Net change in fund balance	<u>\$ (394,071)</u>	<u>\$ (1,141,741)</u>	<u>(2,909,723)</u>	<u>\$ (1,767,982)</u>
Fund balance - beginning			<u>2,451,092</u>	
Fund balance - ending			<u>\$ (458,631)</u>	

See notes to required supplementary information



**WEST VILLAGES IMPROVEMENT DISTRICT  
CITY OF NORTH PORT, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The District is required to establish a budgetary system and an approved Annual Budget for the General Fund. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The fiscal year 2019 general fund budget was amended to increase revenues by \$77,464,282 and increase appropriations by \$78,211,952. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2019.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Supervisors  
West Villages Improvement District  
City of North Port, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of West Villages Improvement District, City of North Port, Florida ("District") as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated September 30, 2020, which includes an emphasis of matter paragraph.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter September 30, 2020.

The District's responses to the findings identified in our audit are described in the accompanying Management Letter. We did not audit the District's responses and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Gray & Associates*

September 30, 2020



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY CHAPTER 10.550 RULES OF THE AUDITOR GENERAL**

To the Board of Commissioners  
West Villages Improvement District  
City of North Port, Florida

**Report on Compliance for Each Major State Program**

We have audited West Villages Improvement District, North Port, Florida (the "District") compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on the District's major state project for the fiscal year ended September 30, 2019. The District's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with state statutes, laws, regulations, and the terms and conditions of its state awards applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the District's major state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; and Chapter 10.550, Rules of the Auditor General. Those standards and Chapter 10.550 Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state project. However, our audit does not provide a legal determination of the District's compliance.

**Opinion on Each Major State Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended September 30, 2019.

**Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state project and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

*Brew & Associates*

September 30, 2020

**WEST VILLAGES IMPROVEMENT DISTRICT  
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019**

State Agency State Project	CSFA Number	Expenditures
<b>STATE FINANCIAL ASSISTANCE</b>		
<b>Department of Economic Opportunity</b>		
Economic Development Partnerships	40.040	\$ 1,000,000
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>		<u>\$ 1,000,000</u>

See accompanying notes to schedule of expenditures of state financial assistance.

**WEST VILLAGES IMPROVEMENT DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures state financial assistance includes the state grant activity of West Villages Improvement District, City of North Port, Florida (the "District") under the state project for the fiscal year ended September 30, 2019. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, Rules of the Auditor General. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting.

**WEST VILLAGES IMPROVEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-  
STATE PROJECTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on the financial statements of West Villages Improvement District, North Port, Florida (the "District").
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit, except as noted in the Management Letter.
4. No significant deficiencies relating to the audit of the major state project are reported in the independent auditor's report on compliance for each major State project and on internal control over compliance required by Chapter 10.550, rules of the Auditor General.
5. The independent auditor's report on compliance with requirements that could have a direct and material effect on the state project for the District expresses an unmodified opinion.
6. There were no audit findings relative to the major state award tested for the District.
7. The programs tested as a major program:

<u>State Project</u>	<u>CSFA #</u>
Economic Development Partnerships	40.040
8. The dollar threshold used to distinguish between Type A or Type B for major state projects was \$300,000.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

See Report to Management on page 41 for details on the following financial statement audit findings: 2019-01 Debt Service Reserve Requirement and 2019-02 Financial Condition Assessment.

**C. FINDINGS AND QUESTIONED COSTS- STATE PROJECTS**

None

**D. OTHER ISSUES**

1. No corrective action plan is required because there were no findings required to be reported under the Florida Single Audit Act.

**E. PRIOR YEAR FINDINGS- MAJOR STATE PROJECTS**

None





**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE  
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY  
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Supervisors  
West Villages Improvement District  
City of North Port, Florida

We have examined West Villages Improvement District, City of North Port, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2019. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2019.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, and the Board of Supervisors of West Villages Improvement District, City of North Port, Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Grau & Associates*

September 30, 2020



**MANAGEMENT LETTER PURSUANT TO THE RULES OF  
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

To the Board of Supervisors  
West Villages Improvement District  
City of North Port, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of West Villages Improvement District ("District") as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated September 30, 2020, which includes an emphasis of matter paragraph.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards; and Independent Auditor's Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated September 30, 2020, should be considered in conjunction with this management letter.

Purpose of this Letter

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.
- II. Status of prior year findings and recommendations.
- III. Compliance with the Provisions of the Auditor General of the State of Florida.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, as applicable, management, and the Board of Supervisors of West Villages Improvement District, City of North Port, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank West Villages Improvement District, City of North Port, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.

*Grau & Associates*

September 30, 2020

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

#### **2019-01 Debt Service Reserve Requirements:**

Observation: The debt service reserve requirements for the Series 2005 Unit 2 Bonds were not met as of September 30, 2019. In the prior fiscal year, funds from the debt service reserve accounts were used to cover partial debt obligations.

Recommendation: The District should take the necessary steps to replenish the reserve accounts.

Management Response: In the current and prior Fiscal Years, a large property owner did not pay their property taxes (which included assessments for the District). Subsequent to fiscal year end the Unit 2 Series 2005 bond was bifurcated. The primary purpose of the Bifurcation is to divide the security for the trust estate of the Series 2005 Bonds into two separate and distinct trust estates secured by two separate and distinct sources of collateral. The WVID is working with, providing information and working on solutions to its Series 2005 (Unit 2) bondholders, tax-certificate holders, and potential developers in regard to the delinquent property.

#### **2019-02 Financial Condition Assessment:**

Observation: The District had delinquent assessments due from a Major Landowner as of September 30, 2019. Consequently, the District did not make certain scheduled debt service payments in the current and prior fiscal years. The District's failures to make its scheduled debt service payments when they are due are considered events of default.

Recommendation: The District should take the necessary steps to alleviate the financial condition.

Management Response: In the current and prior Fiscal Years, a large property owner did not pay their property taxes (which included assessments for the District). Subsequent to fiscal year end the Unit 2 Series 2005 bond was bifurcated. The primary purpose of the Bifurcation is to divide the security for the trust estate of the Series 2005 Bonds into two separate and distinct trust estates secured by two separate and distinct sources of collateral. The WVID is working with, providing information and working on solutions to its Series 2005 (Unit 2) bondholders, tax-certificate holders, and potential developers in regard to the delinquent property.

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2012-01, 2013-01, 2014-01, 2015-01, 2016-01, 2017-01, 2018-01 Debt Service Reserve Requirement: Matter is repeated again in the current fiscal year – see finding no. 2019-01 above.

2012-02, 2013-02, 2014-02, 2015-02, 2016-02, 2017-02, 2018-02 Financial Condition Assessment: Matter is repeated again in the current fiscal year – see finding no. 2019-02 above.

### III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2018, except as noted above.

## REPORT TO MANAGEMENT (Continued)

### III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA (Continued)

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2019, except as noted above.

3. Noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2019, except as noted above.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

5. In connection with our audit, we determined that the District has met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes. The District failed to make certain debt service payments on the Bonds. We applied financial condition assessment procedures pursuant to Rule 10.556(7). See Findings section above for additional information. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of the financial information provided by same.